

BENTLEY COMMUNITY SCHOOLS
BURTON, MICHIGAN
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2005

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Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

October 27, 2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Bentley Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bentley Community Schools, as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bentley Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bentley Community Schools as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated October 27, 2005 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - VII and 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bentley Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.
LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Bentley Community Schools, a K-12 school District located in Genesee County, Michigan, is in its second year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Bentley Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

District Wide Financial Statements: (Continued)

These two statements report the Bentley Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Current Assets	\$6,181,976	\$2,658,101
Non-Current Assets	<u>2,623,982</u>	<u>1,535,994</u>
<u>TOTAL ASSETS</u>	<u><u>\$8,805,958</u></u>	<u><u>\$4,194,095</u></u>
<u>LIABILITIES</u>		
Current Liabilities	\$2,140,380	\$1,987,905
Long-Term Liabilities	<u>4,700,780</u>	<u>170,463</u>
Total Liabilities	\$6,841,160	\$2,158,368
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	1,321,246	1,402,815
Restricted - Capital Projects	117,534	188,779
Unrestricted	<u>526,018</u>	<u>444,133</u>
Total Net Assets	<u><u>\$1,964,798</u></u>	<u><u>\$2,035,727</u></u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$8,805,958</u></u>	<u><u>\$4,194,095</u></u>

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2005 and 2004, the District wide results of operations were:

	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$936,555	\$876,265
Property Taxes Levied for Debt Retirement	280,329	0
Property Taxes Levied for Sinking Fund Capital Projects	0	262,416
State of Michigan Unrestricted Foundation Aid	5,816,183	6,237,994
Other General Revenues	<u>209,795</u>	<u>72,516</u>
Total General Revenues	\$7,242,862	\$7,449,191
<u>Operating Grants:</u>		
Federal	543,217	539,238
State of Michigan	437,784	507,130
Other Operating Grants	<u>65,112</u>	<u>44,400</u>
Total Operating Grants	\$1,046,113	\$1,090,768
<u>Charges for Services:</u>		
Food Service	165,349	172,963
Athletics	30,729	45,773
Other Charges for Services	<u>248,457</u>	<u>190,912</u>
Total Charges for Services	\$444,535	\$409,648
Total Revenues	\$8,733,510	\$8,949,607
<u>EXPENSES</u>		
Instruction & Instructional Support	5,149,935	5,219,360
Support Services	2,800,500	3,061,832
Food Service	356,734	363,366
Athletics	259,555	254,254
Interest on Long-Term Debt	146,882	0
Depreciation	<u>90,833</u>	<u>79,647</u>
Total Expenses	\$8,804,439	\$8,978,459
<u>INCREASE IN NET ASSETS</u>	(\$70,929)	(\$28,852)
<u>BEGINNING NET ASSETS</u>	<u>2,035,727</u>	<u>2,064,579</u>
<u>ENDING NET ASSETS</u>	<u><u>\$1,964,798</u></u>	<u><u>\$2,035,727</u></u>

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2005, the District's Total Net Assets decreased by \$70,929 to a total of \$1,964,798. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$81,569 during the year due to depreciation exceeding purchases of new capital assets and principal payments on related debt. The District's Unrestricted Net Assets increased by \$81,885 during the year and the restricted portion of the net assets decreased by \$71,245. The restricted Net Assets consist of the Investment in Capital Assets-net of related debt and the restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students. The significant changes in unrestricted net assets was the general fund expenditures exceeding revenues.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$42,626 during the year with the decrease coming primarily in cash. Revenues for the year decreased by \$257,522 primarily due to decreases in state aid due to a decline in the number of students. Expenditures and other financing uses decreased by \$404,087 , primarily due to reductions in personnel and related costs. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)
The State of Michigan aid, unrestricted, is determined with the following variables:
 - a. State of Michigan State Aid Act per student foundation allowance
 - b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
 - c. The District's non-homestead tax levy.
2. Per Student, Foundation Allowance:
Annually, the State of Michigan establishes the per student foundation allowance. The Bentley Community Schools foundation allowance was \$7,007 per student for the 2004-2005 school year.
3. Student Enrollment:
The District's student enrollment for the blended count of 2004-2005 was 985 students. A decrease of 71 students from the prior year.

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.7917 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2004-2005 fiscal year was \$936,555. An increase of \$60,290 from the prior year.

2004 Capital Projects Fund

The District's capital projects fund balance increased by \$3,430,443. The primary source of revenue was bond proceeds. Expenditures, which are restricted for construction projects, were \$1,206,166 for the year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final <u>Budget %</u>
Revenue	\$8,071,868	\$7,929,065	\$8,047,395	1.77%	1.49
Expenditures	8,157,476	7,949,327	8,090,021	2.55%	1.77
<u>TOTAL</u>	<u>(\$85,608)</u>	<u>(\$20,262)</u>	<u>(\$42,626)</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Bentley Community Schools amends its budget during the school year. The June, 2005 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues

There were no significant variations between original, final budgets and actual results.

Expenditures

There were no significant variations between original, final budgets and actual results.

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-1-04	Additions	Deductions	Principal Balance 6-30-05
General Obligation Bonds	\$133,179	\$4,600,000	\$0	\$4,733,179
Compensated Absences	37,284	0	14,593	22,691
<u>Total Long-Term Debt</u>	<u>\$170,463</u>	<u>\$4,600,000</u>	<u>\$14,593</u>	<u>\$4,755,870</u>

Bentley Community Schools has issued General Obligation Bonds dated August 1, 2004 in the amount of \$4,600,000, for the purpose of remodeling, furnishing and equipping school buildings; acquiring, installing and equipping technology for school buildings; developing and improving sites; and erecting a multi-purpose room addition to Barhitte Elementary School. The bonds mature serially through May 1, 2030, at varying principal amounts. Interest rates on the bonds range from 3.40% to 4.75% per annum. The balance of the bonds at June 30, 2005, was \$4,600,000.

B. Capital Assets

The district's net investment in capital assets decreased by \$118,178 during the fiscal year. This can be summarized as follows:

	Balance 7-1-04	Additions	Deductions	Balance 38,533
Capital Assets	\$6,220,076	\$5,680	\$0	\$6,225,756
Less: Accumulated Depreciation	(4,684,082)	(123,858)	0	(4,807,940)
<u>Net Investment Capital Outlay</u>	<u>\$1,535,994</u>	<u>(\$118,178)</u>	<u>\$0</u>	<u>\$1,417,816</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Bentley Community Schools.

BENTLEY COMMUNITY SCHOOLS
STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$3,195,358	\$1,270,079
Investments	1,728,426	17,543
Due from Other Governmental Units	1,249,144	1,365,305
Due from Internal Funds	5,764	2,000
Inventory	3,284	3,174
Total Current Assets	<u>\$6,181,976</u>	<u>\$2,658,101</u>
<u>NON-CURRENT ASSETS</u>		
Construction in Progress	1,206,166	0
Capital Assets	6,225,756	6,220,076
Less: Accumulated Depreciation	<u>(4,807,940)</u>	<u>(4,684,082)</u>
Total Noncurrent Assets	<u>\$2,623,982</u>	<u>\$1,535,994</u>
<u>TOTAL ASSETS</u>	<u>\$8,805,958</u>	<u>\$4,194,095</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	172,618	160,909
State Aid Anticipation Note Payable	1,450,000	1,400,000
Due to Internal Funds	0	7,982
Accrued Expenses	54,505	19,721
Salaries Payable	408,167	399,293
Current Portion of Long-Term Obligations	<u>55,090</u>	<u>0</u>
Total Current Liabilities	<u>\$2,140,380</u>	<u>\$1,987,905</u>
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	<u>4,700,780</u>	<u>170,463</u>
<u>TOTAL LIABILITIES</u>	<u>\$6,841,160</u>	<u>\$2,158,368</u>
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	1,321,246	1,402,815
Restricted for:		
Capital Projects	117,534	188,779
Unrestricted	<u>526,018</u>	<u>444,133</u>
<u>TOTAL NET ASSETS</u>	<u>\$1,964,798</u>	<u>\$2,035,727</u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
JUNE 30, 2005

FUNCTIONS/PROGRAMS	2005			2004
	Expenses	Program Revenues		Net (Expense)
		Charges For	Operating	Revenue &
		Services	Grants and	Change in
			Contributions	Net Assets
				Net Assets
Governmental Activities:				
Instruction	\$5,149,935	\$0	\$813,186	(\$4,336,749)
Support Services	2,800,500	248,457	78,897	(2,473,146)
Food Service	356,734	165,349	154,030	(37,355)
Athletics	259,555	30,729	0	(228,826)
Interest - Long-Term Obligations	146,882	0	0	(146,882)
Depreciation - Unallocated	90,833	0	0	(90,833)
<u>TOTALS</u>	<u>\$8,804,439</u>	<u>\$444,535</u>	<u>\$1,046,113</u>	<u>(\$7,313,791)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,216,884
State Aid				5,816,183
Grants and Contributions Not Restricted to				
Specific Programs				34,900
Investment Earnings				66,426
Miscellaneous				108,469
Total General Revenues and Transfers				<u>\$7,242,862</u>
Change in Net Assets				<u>(\$70,929)</u>
Net Assets - Beginning				<u>2,035,727</u>
<u>Net Assets - Ending</u>				<u>\$1,964,798</u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	2004 Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$1,192,374	\$1,725,077	\$277,907	\$3,195,358
Investments	23,060	1,705,366	0	1,728,426
Due from Other Funds	5,764	0	0	5,764
Due from Other Governmental Units	1,247,014	0	2,130	1,249,144
Inventory	0	0	3,284	3,284
<u>TOTAL ASSETS</u>	<u>\$2,468,212</u>	<u>\$3,430,443</u>	<u>\$283,321</u>	<u>\$6,181,976</u>
<u>LIABILITIES</u>				
Accounts Payable	\$153,627	\$0	\$18,991	\$172,618
State Aid Anticipation Note Payable	1,450,000	0	0	1,450,000
Accrued Expenses	21,872	0	0	21,872
Salaries Payable	408,167	0	0	408,167
Total Liabilities	\$2,033,666	\$0	\$18,991	\$2,052,657
<u>FUND BALANCES</u>				
Reserved For:				
Debt Retirement		0	146,796	146,796
Capital Projects	0	3,430,443	117,534	3,547,977
Unreserved:				
Undesignated, Reported In:				
General Fund	434,546	0	0	434,546
Total Fund Balances	<u>\$434,546</u>	<u>\$3,430,443</u>	<u>\$264,330</u>	<u>\$4,129,319</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$2,468,212</u>	<u>\$3,430,443</u>	<u>\$283,321</u>	<u>\$6,181,976</u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total Governmental Fund Balances:		\$4,129,319
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$6,225,756 and the accumulated depreciation is \$4,807,940		1,417,816
Construction in Progress		1,206,166
Accrued Interest on Long-Term Debt		(32,633)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$4,733,179	
Compensated Absences	22,691	
Total Long-Term Liabilities		<u>(4,755,870)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>\$1,964,798</u>

BENTLEY COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	2004 Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Local Sources	\$1,307,113	\$49,118	\$482,967	\$1,839,198
State Sources	6,239,459	0	14,508	6,253,967
Federal Sources	403,695	0	139,522	543,217
Total Revenues	<u>\$7,950,267</u>	<u>\$49,118</u>	<u>\$636,997</u>	<u>\$8,636,382</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	5,145,204	0	0	5,145,204
Student Services	354,043	0	0	354,043
Instructional Support	71,177	0	0	71,177
General Administration	394,933	0	0	394,933
School Administration	637,878	0	0	637,878
Business Administration	67,282	0	0	67,282
Operation & Maintenance of Plant	682,911	0	0	682,911
Transportation	335,405	0	0	335,405
Support Services - Other	66,518	0	0	66,518
Food Service	0	0	608,612	608,612
Debt Retirement	0	0	146,882	146,882
Capital Outlay	0	1,206,166	71,690	1,277,856
Total Expenditures	<u>\$7,755,351</u>	<u>\$1,206,166</u>	<u>\$827,184</u>	<u>\$9,788,701</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$194,916	(\$1,157,048)	(\$190,187)	(\$1,152,319)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) Other Funds	(248,984)	(12,509)	261,493	0
Bond Proceeds	0	4,600,000	0	4,600,000
Other Transfers	11,442	0	0	11,442
Total Other Financing Sources (Uses)	<u>(\$237,542)</u>	<u>\$4,587,491</u>	<u>\$261,493</u>	<u>\$4,611,442</u>
Net Change in Fund Balance	<u>(\$42,626)</u>	<u>\$3,430,443</u>	<u>\$71,306</u>	<u>\$3,459,123</u>
<u>FUND BALANCE - BEGINNING</u>	<u>477,172</u>	<u>0</u>	<u>193,024</u>	<u>670,196</u>
<u>FUND BALANCE - ENDING</u>	<u>\$434,546</u>	<u>\$3,430,443</u>	<u>\$264,330</u>	<u>\$4,129,319</u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Total net change in fund balances - governmental funds	\$3,459,123
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(118,178)
Construction in Progress	1,206,166
Bond Proceeds	(4,600,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	0
Change in accrued interest on long-term liabilities	(32,633)
Increase in accrued compensated absences	<u>14,593</u>
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>(\$70,929)</u></u>

BENTLEY COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

	Trust & Agency	Private Purpose Trusts		Total
		Non- Expendable	Expendable	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$146,700	\$110,635	\$4,105	\$261,440
<u>TOTAL ASSETS</u>	\$146,700	\$110,635	\$4,105	\$261,440
<u>LIABILITIES</u>				
Due to Student Groups	140,936	0	0	140,936
Due to Other Funds	5,764	0	0	5,764
Total Liabilities	\$146,700	\$0	\$0	\$146,700
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$0</u>	<u>\$110,635</u>	<u>\$4,105</u>	<u>\$114,740</u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Private Purpose Trusts</u>		
	<u>Non-</u>	<u>Expendable</u>	<u>Total</u>
<u>REVENUE</u>	<u>Expendable</u>	<u>Expendable</u>	
Interest	\$1,311	\$10	\$1,321
Donations	0	1,500	1,500
Total Revenue	\$1,311	\$1,510	\$2,821
<u>EXPENDITURES</u>			
Scholarships	2,000	1,500	3,500
<u>CHANGE IN NET ASSETS</u>	(\$689)	\$10	(\$679)
<u>NET ASSETS - BEGINNING OF YEAR</u>	111,324	4,095	115,419
<u>NET ASSETS - END OF YEAR</u>	\$110,635	\$4,105	\$114,740

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
STATEMENT OF CASH FLOWS
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	\$1,311
Scholarships	<u>(2,000)</u>

NET (DECREASE) IN CASH AND CASH EQUIVALENTS (\$689)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 111,324

CASH AND CASH EQUIVALENTS - END OF YEAR \$110,635

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Bentley Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

The Capital Projects Funds are used to account for the acquisition and construction of major facilities by the School District. The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

Expendable Trust Funds – The expendable trust funds consists of the following funds:

Chris Anderson Memorial Scholarship Fund – This fund is used to account for funds entrusted to the School District for scholarship awards.

Harry C. Hewig Fund – This fund is used to account for funds entrusted to the School District to provide short-term loans for professional staff development.

Nonexpendable Trust Fund – Sophia L. Waldbauer Scholarship Fund is a nonexpendable trust fund used to account for funds entrusted to the School District for scholarship awards.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I) COMPENSATED ABSENCES

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

O) RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2005, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

The District did not adopt a budget for the 2004 capital project fund for the year ended June 30, 2005.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2005, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	Portfolio %
MILAF External Investment Pool - MIMAX	\$ 23,060	0.0027	AAAm	1.33%
US Agency Notes and Bonds	1,705,366	0.1915	AAA	98.67%
Total fair value	<u>\$ 1,728,426</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.1890</u>		

1 day maturity equals 0.0027, one year equals 1.00.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

4) DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in US Agency Notes and Bonds which represents 99% of the District's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$3,202,985 of the District's bank balance of \$3,537,272 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$261,440	\$ 3,456,798
Investments	<u>1,728,426</u>
<u>TOTAL</u>	<u>\$ 5,185,224</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 261,440
Cash – District Wide	3,195,358
Investments – District Wide	<u>1,728,426</u>
<u>TOTAL</u>	<u>\$ 5,185,224</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

6) RECEIVABLES

Receivables at June 30, 2005, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,131,067
Federal Grants	49,590
Other Grant Programs & Fees	68,487
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 1,249,144</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2005 the School District had estimated claims payable of \$65,439 in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$1,450,000 at 1.84% per annum on August 27, 2004, from JPMorgan Chase on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note was repaid August 27, 2005.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2004</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2005</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$3,938,605	\$0	\$0	\$3,938,605
Land Improvements	1,686,518	0	0	1,686,518
Equipment and Furniture	199,324	5,680	0	205,004
Vehicles	395,629	0	0	395,629
Totals at Historical Cost	\$6,220,076	\$5,680	\$0	\$6,225,756
Less: Accumulated Depreciation				
Buildings and Improvements	(2,646,471)	(80,387)	0	(2,726,858)
Land Improvements	(1,544,430)	(13,493)	0	(1,557,923)
Equipment and Furniture	(138,293)	(11,837)		(150,130)
Vehicles	(354,888)	(18,141)	0	(373,029)
Total Accumulated Depreciation	<u>(\$4,684,082)</u>	<u>(\$123,858)</u>	<u>\$0</u>	<u>(\$4,807,940)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$1,535,994</u>	<u>(\$118,178)</u>	<u>\$0</u>	<u>\$1,417,816</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

9) CAPITAL ASSETS (Continued)

Instruction	\$ 4,731
Support Services	20,617
Athletics	7,677
Unallocated	<u>90,833</u>
 <u>TOTAL DEPRECIATION EXPENSE</u>	 <u>\$ 123,858</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2005 were \$30,949.

11) GENERAL LONG-TERM DEBT

A) Durant Resolution Package Bonds

Bentley Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$149,883 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2005 was \$133,179. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

B) 2004 General Obligation School Building and Site Bonds

Bentley Community Schools has issued General Obligation Bonds dated August 1, 2004 in the amount of \$4,600,000, for the purpose of remodeling, furnishing and equipping school buildings; acquiring, installing and equipping technology for school buildings; developing and improving sites; and erecting a multi-purpose room addition to Barhitte Elementary School. The bonds mature serially through May 1, 2030, at varying principal amounts. Interest rates on the bonds range from 3.40% to 4.75% per annum. The balance of the bonds at June 30, 2005, was \$4,600,000.

C) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2005 are as follows:

	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2006	\$55,090	\$200,343	\$255,433
June 30, 2007	80,568	198,333	278,901
June 30, 2008	133,722	212,243	345,965
June 30, 2009	106,602	192,033	298,635
June 30, 2010	122,153	188,250	310,403
June 30, 2011-2015	735,044	868,237	1,603,281
June 30, 2015-2020	900,000	717,500	1,617,500
June 30, 2021-2025	1,155,000	505,230	1,660,230
June 30, 2026-2030	<u>1,445,000</u>	<u>211,347</u>	<u>1,656,347</u>
 <u>TOTAL</u>	 <u>\$4,733,179</u>	 <u>\$3,293,516</u>	 <u>\$8,026,695</u>

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

11) GENERAL LONG-TERM DEBT (Continued)

C) Annual Principal Requirements (Continued)

The payment dates of sick and longevity days payable is undeterminable. The interest expenditures on long-term obligations for the year ended June 30, 2005, was \$146,847.

D) Changes in General Long-Term Debt

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005	AMOUNT DUE IN ONE YEAR
<u>Governmental Activities:</u>					
Durant Bonds	\$133,179	\$0	\$0	\$133,179	\$10,090
General Obligation Bonds	0	4,600,000	0	4,600,000	45,000
Compensated Absences	37,284	0	14,593	22,691	0
<u>Total Governmental Activities</u>	<u>\$170,463</u>	<u>\$4,600,000</u>	<u>\$14,593</u>	<u>\$4,755,870</u>	<u>\$55,090</u>

12) OPERATING LEASES

The District currently leases buses, and copier machines. The minimum monthly payments and maturity dates are as follows:

	<u>MONTHLY PAYMENT</u>	<u>MATURITY DATE</u>
Bluebird Lease – Buses	\$ 3,991	October 1, 2006
Xerox Lease – Copiers	2,332	April 11, 2007

The future minimum payments are as follows:

2006	\$ 75,868
2007	30,625
<u>TOTAL</u>	<u>\$ 106,493</u>

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2005 consisted of the following:

	<u>DUE FROM</u>
<u>DUE TO</u>	General Fund
Trust and Agency Funds	<u>\$5,764</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

TRANSFERS TO	TRANSFERS FROM		
	GENERAL FUND	2004 CAPITAL	
		PROJECTS	TOTAL
Special Revenue Fund	\$248,984	\$0	\$248,984
Debt Retirement Fund	0	12,509	12,509
<u>TOTAL</u>	<u>\$248,984</u>	<u>\$12,509</u>	<u>\$261,493</u>

These transfers were made to subsidize the cost of services for food service, athletics and debt payments.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2004 through September 30, 2004 and 14.87 percent for the period October 1, 2004 through June 30, 2005 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2005, 2004, and 2003 were \$692,539, \$659,016 and \$687,008, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

17) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

17) RISK MANAGEMENT (Continued)

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

18) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which are Title I the Special Education grants. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2005, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

19) SUBSEQUENT EVENTS

The District has approved borrowing \$1,450,000 on a State Aid Anticipation Note to meet cash flow needs for the 2005-2006 fiscal year. The Bonds will be issued September 1, 2005.

The District has a remaining construction commitment on its 2004 Capital Projects Fund in the amount of \$3,430,443 at June 30, 2005.

REQUIRED
SUPPLEMENTARY
INFORMATION

BENTLEY COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$1,168,497	\$1,154,208	\$1,307,113	\$152,905
State Sources	6,451,721	6,259,056	6,239,459	(19,597)
Federal Sources	394,406	387,404	403,695	16,291
Total Revenues	<u>\$8,014,624</u>	<u>\$7,800,668</u>	<u>\$7,950,267</u>	<u>\$149,599</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	5,241,463	5,149,863	5,145,204	4,659
Student Services	398,967	355,619	354,043	1,576
Instructional Support	77,498	69,558	71,177	(1,619)
General Administration	437,223	394,272	394,933	(661)
School Administration	665,331	637,946	637,878	68
Business Administration	0	1,974	67,282	(65,308)
Operation & Maintenance of Plant	760,396	680,704	682,911	(2,207)
Transportation	297,528	334,233	335,405	(1,172)
Support Services - Other	69,618	66,499	66,518	(19)
Total Expenditures	<u>\$7,948,024</u>	<u>\$7,690,668</u>	<u>\$7,755,351</u>	<u>(\$64,683)</u>
Excess of Revenues Over Expenditures	<u>\$66,600</u>	<u>\$110,000</u>	<u>\$194,916</u>	<u>\$84,916</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(152,208)</u>	<u>(130,262)</u>	<u>(237,542)</u>	<u>(107,280)</u>
Net Change in Fund Balance	<u>(\$85,608)</u>	<u>(\$20,262)</u>	<u>(\$42,626)</u>	<u>(\$22,364)</u>
<u>FUND BALANCE - BEGINNING</u>			<u>477,172</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$434,546</u>	

OTHER SUPPLEMENTAL
INFORMATION

BENTLEY COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2005

	Special Revenue Fund	2004 Debt Retirement Fund	2000 Sinking Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$0	\$146,796	\$131,111	\$277,907
Due From Other Governmental Units	2,130	0	0	2,130
Inventory	3,284	0	0	3,284
<u>TOTAL ASSETS</u>	<u>\$5,414</u>	<u>\$146,796</u>	<u>\$131,111</u>	<u>\$283,321</u>
<u>LIABILITIES</u>				
Accounts Payable	\$5,414	\$0	\$13,577	\$18,991
<u>FUND BALANCES</u>				
Reserved For:				
Debt Retirement	0	146,796	0	146,796
Capital Projects	0	0	117,534	117,534
Total Fund Balances	<u>\$0</u>	<u>\$146,796</u>	<u>\$117,534</u>	<u>\$264,330</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$5,414</u>	<u>\$146,796</u>	<u>\$131,111</u>	<u>\$283,321</u>

BENTLEY COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Fund	2004 Debt Retirement Fund	2000 Sinking Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$201,353	\$281,169	\$445	\$482,967
State Sources	14,508	0	0	14,508
Federal Sources	139,522	0	0	139,522
Total Revenues	<u>\$355,383</u>	<u>\$281,169</u>	<u>\$445</u>	<u>\$636,997</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from Other Funds	248,984	12,509	0	261,493
Total Revenues & Other Financing Sources	<u>\$604,367</u>	<u>\$293,678</u>	<u>\$445</u>	<u>\$898,490</u>
<u>EXPENDITURES</u>				
Special Revenue	608,612	0	0	608,612
Debt Retirement				
Interest Expense	0	146,847	0	146,847
Fees	0	35	0	35
Capital Projects				
Capital Outlay	0	0	71,690	71,690
Total Expenditures	<u>\$608,612</u>	<u>\$146,882</u>	<u>\$71,690</u>	<u>\$827,184</u>
Net Change in Fund Balance	(\$4,245)	\$146,796	(\$71,245)	\$71,306
<u>NET ASSETS - BEGINNING</u>	<u>4,245</u>	<u>0</u>	<u>188,779</u>	<u>193,024</u>
<u>NET ASSETS - ENDING</u>	<u>\$0</u>	<u>\$146,796</u>	<u>\$117,534</u>	<u>\$264,330</u>

BENTLEY COMMUNITY SCHOOLS
SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2005

	Food Service	Athletic Activities	Total
<u>ASSETS</u>			
Due From Other Governmental Units	\$2,130	\$0	\$2,130
Inventory	3,284	0	3,284
<u>TOTAL ASSETS</u>	<u>\$5,414</u>	<u>\$0</u>	<u>\$5,414</u>
<u>LIABILITIES</u>			
Accounts Payable	<u>\$5,414</u>	<u>\$0</u>	<u>\$5,414</u>

BENTLEY COMMUNITY SCHOOLS
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Food Service</u>	<u>Athletic Activities</u>	<u>Total</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$165,349	\$0	\$165,349
Athletic Activities	0	30,729	30,729
Interest	0	403	403
Other Local Sources	70	4,802	4,872
Total Local Sources	<u>\$165,419</u>	<u>\$35,934</u>	<u>\$201,353</u>
<u>State Sources</u>			
State Reimbursements	14,508	0	14,508
<u>Federal Sources</u>			
Federal Reimbursements	117,760	0	117,760
Commodities	21,762	0	21,762
Total Federal Sources	<u>\$139,522</u>	<u>\$0</u>	<u>\$139,522</u>
Total Revenues	<u>\$319,449</u>	<u>\$35,934</u>	<u>\$355,383</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	37,285	211,699	248,984
Total Revenues and Other Financing Sources	<u>\$356,734</u>	<u>\$247,633</u>	<u>\$604,367</u>
<u>EXPENDITURES</u>			
Salaries - Professional	0	51,305	51,305
Salaries - Non-Professional	106,108	103,143	209,251
Insurances	43,351	16,569	59,920
Fica, Retirement, Etc.	22,880	33,248	56,128
Purchased Services	4,401	26,782	31,183
Supplies and Materials	179,849	4,409	184,258
Capital Outlay	145	9,302	9,447
Other	0	7,120	7,120
Total Expenditures	<u>\$356,734</u>	<u>\$251,878</u>	<u>\$608,612</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$0</u>	<u>(\$4,245)</u>	<u>(\$4,245)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$0</u>	<u>\$4,245</u>	<u>\$4,245</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

BENTLEY COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

		EXPENDABLE TRUST			
	Nonexpendable Trust - Sophia L. Waldbauer Scholarship Fund	Chris Anderson Memorial Scholarship Fund	Harry C. Hewig Fund	Agency - Student Activities Fund	TOTAL
<u>ASSETS</u>					
Cash and Cash Equivalents	\$110,635	\$917	\$3,188	\$146,700	\$261,440
<u>TOTAL ASSETS</u>	<u>\$110,635</u>	<u>\$917</u>	<u>\$3,188</u>	<u>\$146,700</u>	<u>\$261,440</u>
<u>LIABILITIES</u>					
Due to Student Groups	\$0	\$0	\$0	\$140,936	\$140,936
Due to Other Funds	0	0	0	5,764	5,764
Total Liabilities	\$0	\$0	\$0	\$146,700	\$146,700
<u>FUND EQUITY</u>					
Reserved for Scholarships	99,228	0	0	0	99,228
Unreserved					
Designated for Staff Education	0	0	3,188	0	3,188
Designated for Scholarships	11,407	917	0	0	12,324
Total Fund Equity	\$110,635	\$917	\$3,188	\$0	\$114,740
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$110,635</u>	<u>\$917</u>	<u>\$3,188</u>	<u>\$146,700</u>	<u>\$261,440</u>

BENTLEY COMMUNITY SCHOOLS
PRIVATE PURPOSE TRUSTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

		<u>EXPENDABLE TRUST</u>		
	Nonexpendable Trust - Sophia L. Waldbauer Scholarship Fund	Chris Anderson Memorial Scholarship Fund	Harry C. Hewig Fund	TOTAL
<u>REVENUE</u>				
<u>Local Sources</u>				
Interest on Investments	\$1,311	\$3	\$7	\$1,321
Donations	0	0	1,500	1,500
Total Revenue	<u>\$1,311</u>	<u>\$3</u>	<u>\$1,507</u>	<u>\$2,821</u>
<u>EXPENDITURES</u>				
Scholarships	<u>2,000</u>	<u>0</u>	<u>1,500</u>	<u>3,500</u>
<u>EXCESS REVENUES OVER</u> <u>EXPENDITURES</u>	(\$689)	\$3	\$7	(\$679)
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>111,324</u>	<u>914</u>	<u>3,181</u>	<u>115,419</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$110,635</u>	<u>\$917</u>	<u>\$3,188</u>	<u>\$114,740</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2005

REVENUESLocal Sources:

Property Tax Levy	\$936,555
Summer School	23,976
Tuition	14
Medicaid	22,549
Earnings on Investments	15,620
Other Local Grants	41,961
Bridges to the Future	35,502
Other Local Revenue	230,936
Total Local Sources	<u>\$1,307,113</u>

State Sources:

State Aid	5,816,183
At Risk	146,689
Special Education	196,197
Gifted and Talented	144
MI School Readiness	59,400
Durant	20,846
Total State Sources	<u>\$6,239,459</u>

Federal Sources:

I.D.E.A.	209,884
Improving Teacher Quality	55,365
Safe and Drug Free Learning	13,167
Medicaid	8,126
Title I	113,633
Title V	3,520
Total Federal Sources	<u>\$403,695</u>
Total Revenues	<u>\$7,950,267</u>

OTHER FINANCING SOURCES

County Special Education Tax	<u>97,128</u>
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TOTAL REVENUES AND OTHER
FINANCING SOURCES
\$8,047,395

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$798,905
Salaries - Non-Professional	71,539
Insurances	193,617
Fica, Retirement, Etc.	194,990
Purchased Services	15,737
Supplies & Materials	41,710
Capital Outlay	3,015
Total Elementary	<u>\$1,319,513</u>

Junior High School

Salaries - Professional	967,233
Salaries - Non-Professional	45,041
Insurances	225,401
Fica, Retirement, Etc.	220,624
Purchased Services	13,310
Supplies & Materials	12,178
Capital Outlay	1,999
Total Junior High School	<u>\$1,485,786</u>

High School

Salaries - Professional	745,361
Salaries - Non-Professional	62,580
Insurances	183,337
Fica, Retirement, Etc.	184,477
Purchased Services	60,250
Supplies & Materials	19,681
Capital Outlay	16,142
Other	2,617
Total High School	<u>\$1,274,445</u>

Preschool

Salaries - Professional	45,655
Salaries - Non-Professional	7,448
Fica, Retirement, Etc.	12,086
Purchased Services	265
Supplies & Materials	3,032
Total Preschool	<u>\$68,486</u>

Total Basic Programs

\$4,148,230

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

INSTRUCTION (Continued)

ADDED NEEDS

Special Education

Salaries - Professional	\$398,814
Salaries - Non-Professional	82,353
Insurances	106,538
Fica, Retirement, Etc.	107,468
Purchased Services	25,959
Supplies & Materials	15,529
Total Special Education	<u>\$736,661</u>

Compensatory Education

Salaries - Professional	170,122
Salaries - Non-Professional	37,256
Insurances	1,790
Fica, Retirement, Etc.	47,455
Purchased Services	190
Supplies & Materials	2,982
Capital Outlay	518
Total Compensatory Education	<u>\$260,313</u>

<u>Total Added Needs</u>	<u>\$996,974</u>
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Total Instruction	\$5,145,204
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SUPPORT SERVICES

Student Services

Salaries - Professional	174,989
Salaries - Non-Professional	63,188
Insurances	62,208
Fica, Retirement, Etc.	52,293
Supplies & Materials	893
Capital Outlay	472
Total Student Services	<u>\$354,043</u>

Instructional Staff

Salaries - Non-Professional	43,881
Fica, Retirement, Etc.	9,755
Purchased Services	4,225
Supplies & Materials	5,048
Capital Outlay	8,268
Total Instructional Staff	<u>\$71,177</u>

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

SUPPORT SERVICES (Continued)General Administration

Salaries - Professional	\$152,486
Salaries - Non-Professional	83,975
Insurances	31,197
Fica, Retirement, Etc.	43,375
Purchased Services	70,537
Supplies & Materials	6,959
Capital Outlay	1,044
Other	5,360
Total General Administration	<u>\$394,933</u>

School Administration

Salaries - Professional	262,452
Salaries - Non-Professional	148,602
Insurances	113,569
Fica, Retirement, Etc.	93,596
Other Benefits	3,000
Purchased Services	7,320
Supplies & Materials	7,214
Other	2,125
Total School Administration	<u>\$637,878</u>

Business Administration

Fica, Retirement, Etc.	67,282
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Operation & Maintenance of Plant

Salaries - Non-Professional	203,166
Insurances	43,534
Fica, Retirement, Etc.	57,578
Purchased Services	331,524
Supplies & Materials	41,232
Capital Outlay	5,877
Total Operation & Maintenance	<u>\$682,911</u>

Transportation Services

Salaries - Professional	13,200
Salaries - Non-Professional	105,983
Insurances	71,508
Fica, Retirement, Etc.	26,403
Purchased Services	16,779
Supplies & Materials	33,697
Capital Outlay	47,890
Other	19,945
Total Transportation Services	<u>\$335,405</u>

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

SUPPORT SERVICES (Continued)

Other Support Services

Salaries - Non-Professional	\$33,684
Insurances	1,686
Fica, Retirement, Etc.	7,407
Purchased Services	507
Supplies & Materials	13,774
Capital Outlay	9,460
Total Other Support Services	<u>\$66,518</u>

Total Support Services	<u>\$2,610,147</u>
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<u>Total Expenditures</u>	\$7,755,351
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OTHER FINANCING USES

Transfers to Other Funds	248,984
Other Transfers	3,514
Transfers to Other Districts	57,108
Payments and Interest on Debt	25,064
Total Other Financing Uses	<u>\$334,670</u>

TOTAL EXPENDITURES AND
OTHER FINANCING USES

\$8,090,021

BENTLEY COMMUNITY SCHOOLS
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2005

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS			DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2004	RECEIPTS	DISBURSEMENTS	JUNE 30, 2005	
Adopt-A-Wall	\$21	\$0	\$0	\$21	
Art Fees - Sr. High	(1,831)	4,466	2,665	(30)	
Athletic Office	3,688	1,745	1,216	4,217	
Athletic Resale	1,181	0	0	1,181	
Athletic Scholarship	167	0	167	0	
Band Account	1,715	5,305	6,381	639	
Barhitte Activities	8,263	11,665	8,088	11,840	
Barhitte Library	506	18	0	524	
Barhitte Office	12,399	18,446	23,388	7,457	
Barhitte Scholarship	1,828	935	1,900	863	
Barhitte Trip	1,637	12,757	9,345	5,049	
Barhitte Turkey Fund	66	0	66	0	
Baseball - Sr High	862	2,018	1,926	954	
Basketball - Boys Varsity	(122)	1,800	1,800	(122)	
Basketball - Girls	9,356	22,250	20,375	11,231	
Basketball - Girls - 7th & 8th	821	0	0	821	
Bentley Skeet Club	0	708	598	110	
Booster Fund Raiser	4,346	7,535	6,653	5,228	
Cedar Point Trip	0	7,244	6,728	516	
Cheerleaders - Jr High	48	964	735	277	
Cheerleaders - JV	170	0	0	170	
Cheerleaders - Varsity	0	457	0	457	
Class of 1996	802	0	0	802	
Class of 2001	1,642	0	0	1,642	
Class of 2002	664	0	0	664	
Class of 2003	(410)	0	0	(410)	
Class of 2004	(144)	0	0	(144)	
Class of 2005	189	5,221	2,639	2,771	
Class of 2006	1,394	13,799	16,089	(896)	
Class of 2007	(152)	455	270	33	
Class of 2008	0	1,179	2,129	(950)	
Class of 2009	0	175	0	175	
Drama - Sr High	6,220	9,822	10,791	5,251	
Environmental Club	465	405	589	281	
Faculty - Jr. High	6,735	2,579	2,698	6,616	
Field Trip - Jr. High	946	0	0	946	
French Club	492	0	0	492	
<u>Subtotal</u>	<u>\$63,964</u>	<u>\$131,948</u>	<u>\$127,236</u>	<u>\$68,676</u>	

BENTLEY COMMUNITY SCHOOLS
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2005

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2004	RECEIPTS	DISBURSEMENTS	JUNE 30, 2005
Gifted & Talented	\$2,889	\$4,839	\$6,342	\$1,386
Golf Account	590	0	235	355
Guidance - Sr. High	96	121	168	49
Honor Society - Sr. High	784	1,088	1,645	227
Honors Club - Jr. High	3,626	7,638	8,756	2,508
Library - Jr. High	527	3,589	3,157	959
Library - Sr. High	655	0	0	655
Office Acct - Sr. High	10,504	9,232	7,842	11,894
Pickler Scholarship	0	500	500	0
PRIDE Account	944	0	135	809
Project GROW	148	0	70	78
Retirement	0	49,800	0	49,800
Sadd Club - Sr. High	335	1,148	1,104	379
School Store - Jr. High	1,951	0	0	1,951
School Supplies - Jr. High	550	285	185	650
Science Club - Sr. High	2,531	131	4,912	(2,250)
Skip Atherton/Bentley	0	210	0	210
Sloan Grant	604	0	0	604
Softball Account	(207)	463	0	256
Special Olympics	495	540	0	1,035
Student Council - Sr. High	713	3,827	3,639	901
Student Govt - Jr. High	0	385	757	(372)
Suspense	0	3,378	8,391	(5,013)
T & A Interest	300	2,445	1,416	1,329
T/A Account - Jr. High	11,076	8,622	19,214	484
Track Club - Sr. High	348	2,978	3,310	16
Volleyball - Jr. High	326	495	778	43
Volleyball Account	360	96	0	456
Wrestling - Jr. High	182	0	0	182
Yearbook - Sr. High	146	17,388	16,854	680
Young Readers Book Club	0	2,531	532	1,999
<u>TOTALS</u>	<u>\$104,437</u>	<u>\$253,677</u>	<u>\$217,178</u>	<u>\$140,936</u>

BENTLEY COMMUNITY SCHOOLS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2005

DATE OF ISSUE - November 24, 1998 Original amount of issue - \$208,460

1998 DURANT RESOLUTION PACKAGE BONDS

<u>PAYMENT DATE - MAY 15TH</u>	<u>INTEREST REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
2006	\$4,548	4.761353%	\$10,090	\$14,638
2007	4,068	4.761353%	10,568	14,636
2008	20,358	4.761353%	48,722	69,080
2009	3,038	4.761353%	11,602	14,640
2010	2,485	4.761353%	12,153	14,638
2011	1,907	4.761353%	12,732	14,639
2012	1,300	4.761353%	13,338	14,638
2013	665	4.761353%	13,974	14,639
<u>TOTAL</u>	<u>\$38,369</u>		<u>\$133,179</u>	<u>\$171,548</u>

DATE OF ISSUE - August 1, 2004 Original amount of issue - \$4,600,000

2004 SCHOOL BUILDING AND SITE BONDS

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2005-2006	\$97,898	\$97,897	3.400%	\$45,000	\$240,795
2006-2007	97,132	97,133	3.400%	70,000	264,265
2007-2008	95,942	95,943	3.400%	85,000	276,885
2008-2009	94,498	94,497	3.400%	95,000	283,995
2009-2010	92,883	92,882	3.400%	110,000	295,765
2010-2011	91,013	91,012	3.400%	125,000	307,025
2011-2012	88,888	88,887	3.450%	130,000	307,775
2012-2013	86,645	86,645	3.500%	140,000	313,290
2013-2014	84,160	84,160	3.700%	145,000	313,320
2014-2015	81,478	81,477	3.800%	155,000	317,955
2015-2016	78,532	78,533	3.900%	160,000	317,065
2016-2017	75,412	75,413	4.000%	170,000	320,825
2017-2018	72,013	72,012	4.050%	180,000	324,025
2018-2019	68,367	68,368	4.150%	190,000	326,735
2019-2020	64,425	64,425	4.200%	200,000	328,850
2020-2021	60,225	60,225	4.300%	210,000	330,450
2021-2022	55,710	55,710	4.400%	220,000	331,420
2022-2023	50,870	50,870	4.500%	230,000	331,740
2023-2024	45,695	45,695	4.650%	240,000	331,390
2024-2025	40,115	40,115	4.650%	255,000	335,230
2025-2026	34,186	34,186	4.650%	265,000	333,372
2026-2027	28,025	28,025	4.750%	275,000	331,050
2027-2028	21,494	21,494	4.750%	290,000	332,988
2028-2029	14,606	14,606	4.750%	305,000	334,212
2029-2030	7,362	7,363	4.750%	310,000	324,725
<u>TOTAL</u>	<u>\$1,627,574</u>	<u>\$1,627,573</u>		<u>\$4,600,000</u>	<u>\$7,855,147</u>

BENTLEY COMMUNITY SCHOOLS

BURTON, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2005

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Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

October 27, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Bentley Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bentley Community Schools, as of and for the year ended June 30, 2005, which collectively comprise the Bentley Community Schools' basic financial statements and have issued our report thereon dated October 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bentley Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bentley Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Bentley Community Schools, in a separate letter dated October 27, 2005.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf PC

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

October 27, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Bentley Community Schools

Compliance

We have audited the compliance of Bentley Community Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Bentley Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bentley Community Schools' management. Our responsibility is to express an opinion on Bentley Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bentley Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bentley Community Schools' compliance with those requirements.

In our opinion, Bentley Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Bentley Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bentley Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.




Bentley Community Schools
Page 2
October 27, 2005

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bentley Community Schools, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 27, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Bentley Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BENTLEY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education			
Title I Grants to Local Education Agencies:	84.010		
Title I (04-05)		51530-0405	\$113,633
Innovative Education Program Strategies:	84.298		
IASA Title V - Improving America's Schools Act (04-05)		50250-0405	3,520
Class Size Reduction Program	84.367		
Class Size Reduction Program (04-05)		50520-0405	55,365
Total Passed Through Michigan Department of Education			<u>\$172,518</u>
Passed Through Genesee Intermediate School District			
Special Education - Grants to States	84.027		
IDEA Flowthrough (04-05)		50450-0405	209,884
IDEA Flowthrough (03-04)		40450-0304	194,379
Total Special Education - Grants to States			<u>\$404,263</u>
Safe and Drug Free Learning (03-04)	84.184L	S184LO20281-3	13,167
Total Passed Through Genesee Intermediate School District			<u>\$417,430</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$589,948</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education			
Food Distribution Program:	10.550		
Entitlement Commodities:		N/A	18,030
Bonus Commodities		N/A	3,732
Total Food Distribution Program			<u>\$21,762</u>
National School Breakfast Program	10.553	N/A	27,056
National School Lunch Program	10.555	N/A	90,122
Special Milk Program	10.556	N/A	582
Total Child Nutrition Cluster			<u>\$117,760</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			<u>\$139,522</u>
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
Passed Through Genesee Intermediate School District			
Medical Assistance Program Title XIX	93.778	N/A	8,126
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$737,596</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$0	\$0	\$113,633	\$0	\$104,016	\$9,617
0	0	3,520	0	632	2,888
0	0	55,365	0	52,265	3,100
<u>\$0</u>	<u>\$0</u>	<u>\$172,518</u>	<u>\$0</u>	<u>\$156,913</u>	<u>\$15,605</u>
0	0	209,884	0	175,899	33,985
55,742	194,379	0	0	55,742	0
<u>\$55,742</u>	<u>\$194,379</u>	<u>\$209,884</u>	<u>\$0</u>	<u>\$231,641</u>	<u>\$33,985</u>
0	0	13,167	0	13,167	0
<u>\$55,742</u>	<u>\$194,379</u>	<u>\$223,051</u>	<u>\$0</u>	<u>\$244,808</u>	<u>\$33,985</u>
\$55,742	\$194,379	\$395,569	\$0	\$401,721	\$49,590
0	0	18,030	0	18,030	0
0	0	3,732	0	3,732	0
<u>\$0</u>	<u>\$0</u>	<u>\$21,762</u>	<u>\$0</u>	<u>\$21,762</u>	<u>\$0</u>
0	0	27,056	0	27,056	0
0	0	90,122	0	90,122	0
0	0	582	0	582	0
<u>\$0</u>	<u>\$0</u>	<u>\$117,760</u>	<u>\$0</u>	<u>\$117,760</u>	<u>\$0</u>
\$0	\$0	\$139,522	\$0	\$139,522	\$0
0	0	8,126	0	8,126	0
<u>\$55,742</u>	<u>\$194,379</u>	<u>\$543,217</u>	<u>\$0</u>	<u>\$549,369</u>	<u>\$49,590</u>

BENTLEY COMMUNITY SCHOOL DISTRICT - BURTON, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS

\$543,217

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund

\$403,695

School Service Fund

139,522

TOTAL

\$543,217

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

BENTLEY COMMUNITY SCHOOL DISTRICT - BURTON, MICHIGAN
RECONCILIATION OF FORM R 7120 "GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Current Payments Per the Grant Section Auditor's Report (Form R 7120)			\$278,211
<u>Less:</u> State Funded Grants			
State Breakfast Program			(3,538)
<u>Add:</u> Grants Passed Through Genesee Intermediate School District:			
Special Education - Grants to States (CFDA 84.027)	\$231,641		
Safe and Drug Fee Learning (CFDA 84.184L)	13,167		
Medical Assistance Program Title XIX (CFDA 93.778)	8,126		
Total Grants Passed Through Genesee Intermediate School District:			252,934
Entitlement and Bonus Commodities (CFDA 10.550)			21,762
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$549,369</u>

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
84.010
84.027

Name of Federal Program or Cluster
Title I Grants to Local Education Agencies
Special Education Grants to States

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

BENTLEY COMMUNITY SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

2004-1) Title I (CFDA #84.010) and Special Education (CFDA #84.027)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Management Response:</u>	The district has implemented a standard time certification form and the appropriate employee or other supervisory employee completes the certifications every six months.
<u>Questioned Cost:</u>	None.



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

October 27, 2005

To the Board of Education of
Bentley Community Schools

In planning and performing our audit of the financial statements of Bentley Community Schools for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Bentley Community Schools' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, Bentley Community Schools incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

2. Trust and Agency Accounts

At June 30, 2005, several of the Activity Accounts had deficit balances. Activity accounts are only permitted to expend the funds they have taken in. They are not allowed to borrow from other activities thus creating a deficit balance. Trust and agency bank reconciliations should be done timely and all groups should receive adequate accounting records to verify the accuracy of their account balances.

3. Segregation of Duties

A small number of persons have the primary responsibility for performing most of the accounting and financial duties. As a result, some of the aspects of internal accounting control which rely upon adequate segregation of duties are missing in your District. We recognize that your District is not large enough to make employment of additional personnel solely for the purpose of segregating incompatible duties practical from a financial standpoint. The supervision and periodic review procedures currently in place help mitigate the lack of proper segregation of duties and should be continued. The following suggestions are procedures which could be performed by District administrators to further compensate for known weaknesses attributable to inadequate segregation of duties:

- * Receive all bank statements unopened and review their contents
- * Have bank statements reconciled immediately
- * Review monthly financial statements and question variances

4. Timely Bank Reconciliations

Proper bank reconciliations are a key to maintaining adequate control over both cash receipts and disbursements. If bank reconciliations are to serve as an effective control over the cash accounts, they must be prepared on a timely basis and all reconciling items should be investigated and disposed of properly.



Bentley Community Schools
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October 27, 2005

FUTURE ISSUES

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Bentley Community Schools, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASBS No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)
- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Bentley Community Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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